
INTRODUCING
The Eco-nomics
of
Pollution Prevention

Why Pollution Prevention?

- Saves MONEY

- Reduced liability

- Healthier work environment
- May reduce regulatory burden

- Improves the environment

Where Money Can Be Saved

Usual Costs

- Disposal
- Raw Materials Purchases
- Utilities
- Supplies
- Labor

Where Money Can Be Saved

Regulatory Burden Costs

- Labeling
- Inspecting
- Monitoring/Testing
- Recordkeeping
- Training
- Manifesting

Where Money Can Be Saved

Potential Liability Costs

- Enforcement Actions
- Transportation
- Landfill Disposal
- Treatment or Storage in Tanks

Where Money Can Be Saved

Other--Intangibles

- Improved public image
- Improved employee health and safety

economic Barriers to P2

- Lack of financial ability to make capital outlay
- Disinclination to invest in equipment that does not contribute directly to production of goods
- Environmental accounting method

Environmental Accounting

- KEY FACTOR in determining P^2 feasibility
- EACH DEPARTMENT OR PROCESS (ie painting) should be charged for the total waste management costs they generate
- Discontinue charging waste management costs to overhead

Economic Feasibility of P^2

Determine the FULL cost of waste generation

- Purchasing
- Storage & Inventory
- Air & Water Emissions
- Waste Storage
- On-site Treatment or Recycling

Economic Feasibility of P^2

Determine the FULL cost of waste generation (Cont.)

- Waste Disposal
- Waste Transport
- Lost Raw Materials
- Labor Costs
- Capital Depreciation

IMPORTANT

As waste disposal accounts for only 1/2 of the total waste generation costs, many pollution prevention options will go unjustified if only 1/2 of the savings are considered

*NRPP's Primer for Financial Analysis of Pollution Prevention Projects

Economic Feasibility Tests

- Payback Period
  - --Calculate initial cost of implementing the P2 strategy and determine annual cost savings
  - Cost of P2/Annual cost savings
- Net Present Value
- Internal Rate of Return


the end